CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL   No. 2570

Introduced by Assembly Member Arambula
(Principal coauthor: Assembly Member Haynes)

February 23, 2006

An act to add Sections 7504.5, 13984.3, and 13984.5 to the Government Code, ~~to add Article 8 (commencing with Section 13900) to the Insurance Code,~~ relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 2570, as amended, Arambula. Community investment.

Existing law requires that each state and local retirement system submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year.

This bill would require ~~the~~ *public* retirement systems *with assets over $4,000,000,000* to include in financial ~~statement~~ *statements* specified information regarding investments ~~made~~ *it holds in its portfolio* in *California and* emerging domestic markets within the state. This *bill would specify that investments be reported by asset class, fair market value, and percentage of total portfolio.*

This bill would state legislative declarations regarding institutional investors, including public pension funds.

This bill would also state the Legislature's intent that, consistent with their fiduciary obligations, ~~the state and local~~ *other* retirement

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systems ~~set an investment goal of no less than 2% of their total investment portfolios in emerging domestic markets within the state~~ *with sufficiently diversified portfolios adopt emerging domestic market investment policies that meet their own unique investment objectives*.

Existing law vests the Secretary of Business, Transportation and Housing with various administrative duties and functions.

This bill would require the secretary to establish a statewide cooperative partnership with business and industry sectors to develop a strategy to attract new private investment into the state. This bill would further require the secretary to establish an Advisory Committee on Private Investments in California's Future, as specified, to assist in the development and implementation of the strategy and guide the partnership.

This bill would also require the secretary to submit the strategy to the Legislature and the Governor by October 1, 2007, and to update the strategy at least every 5 years.

~~Existing law provides that insurers may become eligible for tax credits, as specified, for certain voluntary investments in low income and rural communities. To become eligible for these tax credits, the insurers must apply to the Department of Insurance and be certified as "community development financial institutions" by the department. Under existing law, these provisions will be repealed in December 2007.~~

~~This bill would establish the California Rural Community Develop Financial Institutions Act, which would require the department to establish an outreach program to rural and underserved areas, as defined, to certify community development financial institutions that are eligible to participate in the tax credit program.~~

~~This bill would also require the department to report to the Legislature by July 1, 2007, describing the required outreach program. The report would be required to contain specified information.~~

~~This bill would further require the department, beginning on October 1, 2008, to annually provide information of the department's Internet Web site. The required information would be the total number of certified community development financial institutions and their service area, and the total number of certified community development financial institutions, and their service areas added since the last published report.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1   SECTION 1.   Section 7504.5 is added to the Government
2 Code, to read:
3   7504.5.   As part of its annual audited financial statement
4 submitted to the Controller pursuant to subdivision (c) of Section
5 7504, each state and local public retirement system *with assets*
6 *over $4 billion* shall report on ~~the number, type, and value of~~
7 investments it ~~has made during the applicable fiscal year~~ *holds in*
8 *its portfolio* in California and all assets in emerging domestic
9 markets within the state, as defined in subdivision ~~(b)~~ *(c)* of
10 Section 13984.5 ~~and its success in meeting the goal set forth in~~
11 ~~Section 13984.2 of the Government Code~~. *Investments by asset*
12 *class shall be reported by fair market value and percentage of*
13 *the total portfolio*.
14   SEC. 2.   Section 13984.3 is added to the Government Code, to
15 read:
16   13984.3.   (a) The Secretary of Business, Transportation and
17 Housing shall establish a statewide cooperative partnership with
18 the business and industry sectors to develop a strategy to attract
19 new private investment to the state.
20   (b) (1) ~~The~~ *In addition to any other group or entity that the*
21 *Secretary chooses to consult in preparation of the private*
22 *investment strategy developed pursuant to subdivision (a), the*
23 secretary shall establish an Advisory Committee on Private
24 Investment in California's Future to assist in the development
25 and implementation of the strategy and guide the partnership.
26   (2) The agency shall provide staffing for the committee.
27   (3) The committee shall consist of ~~nine committee members~~
28 ~~appointed as follows:~~
29   ~~(A) The Governor shall appoint seven representatives as~~
30 ~~follows:~~
31   ~~(i) One representative from the banking industry.~~
32   ~~(ii) One representative from an out-of-state insurance~~
33 ~~company.~~
34   ~~(iii) One representative from an out-of-state foundation.~~

1 (iv) ~~One representative from a domestic corporate pension~~
2 ~~fund.~~
3 ~~(v) One representative from a foreign corporate pension fund.~~
4 ~~(vi) One representative from a domestic public pension fund.~~
5 ~~(vii) One representative from a foreign public pension fund.~~
6 ~~(B) The President pro Tempore of the Senate shall appoint one~~
7 ~~representative from an in-state foundation.~~
8 ~~(C) The Speaker of the Assembly shall appoint one~~
9 ~~representative from an in-state insurance company.~~
10 ~~(D) The members shall serve at the pleasure of the appointing~~
11 ~~authority and shall not be compensated.~~
12 ~~(E) Vacancies may be filled at the pleasure of the appointing~~
13 ~~authority.~~ *representatives from the banking and insurance*
14 *industries, foundations, corporate and public pension funds,*
15 *venture capital funds, community development financial*
16 *institutions, and community development corporations.*
17 *Representatives should include foreign and out-of-state, as well*
18 *as California based entities.*
19 (4) The agency shall use the California Economic
20 Development Strategic Plan prepared pursuant to Section 15570
21 to facilitate the development of the implementation strategy.
22 (c) The implementation strategy shall do the following:
23 (1) Assess current trends and opportunities in global and
24 domestic investment practices.
25 (2) Assess who are the major asset managers by investment
26 types.
27 (3) Assess how the state can be a greater recipient of foreign
28 and domestic investment *including, but not limited to, key*
29 *California businesses and industries, and areas of the state with*
30 *capital needs that have been historically unmet, also known as*
31 *emerging domestic markets*.
32 (4) Include a discussion on how the state could establish a
33 cooperative private investment marketing campaign.
34 (5) Make recommendations for changes, if any, in applicable
35 regulations and statutes.
36 (6) Make any other recommendations that the advisory
37 committee determines are relevant.
38 (d) The ~~committee~~ *secretary* may hold business roundtables,
39 conferences, and use other devices the agency deems ~~fit~~

1 *appropriate* to engage leaders in the business and industry
2 sectors to develop the implementation strategy.
3   (e) The secretary shall submit the ~~implementation~~ *private*
4 *investment* strategy ~~developed by the committee~~ to the
5 Legislature and the Governor by October 1, 2007. The
6 ~~implementation~~ *private investment* strategy may be part of, or at
7 least consistent with, the California Economic Development
8 Strategic Plan prepared pursuant to Section 15570, and updated
9 at least every five years.
10   SEC. 3. Section 13984.5 is added to the Government Code, to
11 read:
12   13984.5.   (a) *The Legislature finds and declares that*
13 *investments in emerging domestic markets can provide*
14 *appropriate risk-adjusted returns to institutional investors*
15 *including public pension funds. In 2000, the boards for*
16 *administration for CalPERS and CalSTRS each adopted a 2*
17 *percent goal for investments in emerging domestic markets.*
18 *These investments have, first, created value for the members of*
19 *their retirement system, and second, increased access to*
20 *financial capital in historically underserved markets.*
21   *(b)* It is the intent of the Legislature that, consistent with their
22 fiduciary obligations, ~~state and local~~ *other* retirement systems ~~set~~
23 ~~an investment goal of no less than 2 percent of their total~~
24 ~~portfolios in emerging domestic markets within the state.~~ *with*
25 *sufficient diversified portfolios adopt emerging domestic market*
26 *investment policies that meet their own unique investment*
27 *objectives.*
28   ~~(b)~~
29   *(c)* For the purposes of this section "emerging domestic
30 markets" means areas of the state that have been identified by the
31 California Economic Strategy Panel as having limited access to
32 capital markets. The Economic Strategy Panel shall ~~prepare a list~~
33 ~~of ZIP Codes identifying emerging domestic markets that shall~~
34 ~~be used~~ *develop, in consultation with the public pension funds*
35 *with assets over $4 billion, a definition of emerging domestic*
36 *markets that these funds can use* to track private investments in
37 California's ~~financially underserved areas~~ *emerging domestic*
38 *markets*. The ~~list of emerging domestic markets~~ *definition* shall
39 be prepared by October 1, 2007, and updated every five years.

1 The list *definition* shall be made available through the Economic
2 Strategy Panel's Internet Web site.
3 SEC. 4. Article 8 (commencing with Section 13900) is added
4 to Chapter 2 of Division 3 of the Insurance Code, to read:
5
6 Article 8. The California Rural Community Development
7 Financial Institutions Act
8
9 13900. The California Department of Insurance shall
10 establish an outreach program to rural and underserved areas of
11 California to certify Community Development Financial
12 Institutions that are eligible to participate in the program referred
13 to in Sections 12209, 17053.57 and 23657 of the Revenue and
14 Taxation Code.
15 (a) For the purposes of this article "rural" means communities
16 with populations under 100,000 persons located outside
17 metropolitan statistical areas.
18 (b) For the purposes of this article "underserved area" means a
19 region of the state, based on an annual survey of
20 department-certified Community Development Financial
21 Institutions, that has less than five certified Community
22 Development Financial Institutions.
23 (c) For the purposes of this article, "region" means an
24 economic region as defined by the California Economic Strategy
25 Panel California regions are as follows:
26 (1) Central Sierra.
27 (A) Alpine.
28 (B) Amador.
29 (C) Calaveras.
30 (D) Inyo.
31 (E) Mariposa.
32 (F) Mono.
33 (G) Tuolumne.
34 (2) North Coast.
35 (A) Humboldt.
36 (B) Lake.
37 (C) Mendocino.
38 (3) Northern California.
39 (A) Del Norte.
40 (B) Lassen.

1   (C) Modoc.
2   (D) Nevada.
3   (E) Plumas.
4   (F) Sierra.
5   (G) Siskiyou.
6   (H) Trinity.
7   (4) San Joaquin Valley.
8   (A) Fresno.
9   (B) Kern.
10   (C) Kings.
11   (D) Madera.
12   (E) Merced.
13   (F) San Joaquin.
14   (G) Stanislaus.
15   (H) Tulare.
16   (5) Northern Sacramento Valley.
17   (A) Butte.
18   (B) Colusa.
19   (C) Glenn.
20   (D) Shasta.
21   (E) Tehama.
22   (6) Central Coast.
23   (A) Monterey.
24   (B) San Benito.
25   (C) San Luis Obispo.
26   (D) Santa Barbara.
27   (7) Greater Sacramento.
28   (A) El Dorado.
29   (B) Placer.
30   (C) Sacramento.
31   (D) Sutter.
32   (E) Yolo.
33   (F) Yuba.
34   (8) Southern California.
35   (A) Los Angeles.
36   (B) Orange.
37   (C) Riverside.
38   (D) San Bernardino.
39   (E) Ventura.
40   (9) Bay Area.

1 (A) Alameda.
2 (B) Contra Costa.
3 (C) Marin.
4 (D) Napa.
5 (E) San Francisco.
6 (F) San Mateo.
7 (G) Santa Clara.
8 (H) Santa Cruz.
9 (I) Solano.
10 (J) Sonoma.
11 (10) Southern Border Region.
12 (A) Imperial County.
13 (B) San Diego County.
14 13901. The department shall report to the Legislature by July
15 1, 2007, detailing the outreach program described in Section
16 13900, and shall contain the following:
17 (a) The outreach strategy.
18 (b) The outreach implementation plan, including timeline,
19 benchmarks and measurable objectives.
20 (c) The stakeholders participating in the implementation of the
21 plan.
22 13902. Beginning on October 1, 2008, the department shall
23 annually provide the following information on the department's
24 Web site:
25 (a) The total number of certified Community Development
26 Financial Institutions and their service area.
27 (b) The number of certified Community Development
28 Financial Institutions and their service areas added since the last
29 published report.
30 (c) A summary of investments made by community
31 development financial institutions with funding received in
32 conjunction with the credits authorized by Sections 12209 and
33 17053.57 of the Revenue and Taxation Code, presented as
34 follows:
35 (1) Geographic area.
36 (2) Total moneys invested.
37 (3) The type of investments made, for example:
38 (A) Real property.
39 (B) Private equity other than real property.
40 (C) Venture capital.

1   (D) Startup financing.
2   (d) Number of jobs created.
3   (e) Units of lower income housing financed.
4   (f) Small businesses assisted.

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